

## 3) Determine Guaranteed Minimum Price.

From the Cost Allowance Matrix find the value for \$2.10 corn and \$170 meal.

	<u>LIVE MARKET</u>	<u>MEAT PRICE</u>
Matrix Value	\$36.50	\$50.00
Guaranteed Minimum Price	\$36.50	\$50.00
Last Week's Average Price	\$45.40	\$62.19
Contract Base Price	\$45.40	\$62.19

- 4) If Hormel Foods is in a negative cash position with producer:  
The Guaranteed Minimum Price of \$36.50 becomes the Contract Price.  
The producer is paid \$36.50. The difference between the Contract Base Price of \$45.40 and the Contract Price of \$36.50 will reduce Hormel Foods' negative cash position with producer.
- 5) If Hormel Foods is not in a negative cash position with producer:  
The Contract Price is the Contract Base Price of \$45.40, and the producer will be paid \$45.40.
- 6) In addition to the price as determined by 4) or 5) above the producer will receive G&Y premiums based on the Contract Base Price of \$45.40.

Example B:

Example B is an example when the Contract Base Price (last week's average price) is less than the Guaranteed Minimum Price.

- 1) Assume the daily average of the prior week's 11:00 a.m. Hormel Foods' Grade and Yield Plant Delivered Market is \$35.00.
- 2) Use \$2.10 for corn and \$170.00 for meal as in Example A.
- 3) Guaranteed Minimum Price is \$36.50 as in Example A.
- 4) Determine Contract Price:  
Since last week's average price (Contract Base Price) of \$35.00 is less than the Guaranteed Minimum Price of \$36.50, the Guaranteed Minimum Price becomes the Contract Price. The producer will be paid the Contract Price of \$36.50. The difference between the Contract Base Price of \$35.00 and the Contract Price of \$36.50 will increase Hormel Foods' negative cash position with producer.

	<u>LIVE MARKET</u>	<u>MEAT PRICE</u>
Last Week's Average Price	\$35.00	\$47.94
Contract Base Price	\$35.00	\$47.94
Guaranteed Minimum Price	\$36.50	\$56.84
Contract Price	\$36.50	\$56.84

- 5) In addition to the price as determined by 4) above the producer will receive G&Y premiums based on the Contract Base Price of \$35.00.